



CAPITAL MANAGEMENT GROUP

The Hefter Report – June 2022

The June 10th Consumer Price Index report indicates that inflation is worse than forecasted¹. We believe that the Fed will now have little choice but to put the economy in a recession to stem the tide of higher prices. In our minds, the main question is how deep or mild the recession will be. If the Fed continues in its stated objective of bringing inflation down to 2% from the current rate of 8.6%, the recession could be prolonged and painful. If, however, they were to revise their objective to the 4-5% range, we believe less interest rate hikes would be needed, and the economy would fare much better.

We believe that the Fed should raise rates higher sooner than later, with monthly increases of 75 or 100 basis points rather than their indicated 50 basis point hikes. In our view, the sooner we get inflation under control the sooner the economy and markets will rebound.

We believe that growth and tech equities will continue to be under pressure during this initial phase of Fed tightening. However, once the economy shows that growth has slowed and inflation has approached the Fed's target range, we think that growth can once again lead the market back up.

Please feel free to call us to discuss this further and if you'd like to schedule an appointment to meet and review your portfolio.

¹Bloomberg News

Steve, Ben, Charlie and Micah

DISCLOSURES

The Consumer Price Index (CPI) is a measure of the cost of goods purchased by average U.S. household. It is calculated by the U.S. government's Bureau of Labor Statistics.

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